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2008 End of Session Report

May 2008

Dear Neighbor,

I am pleased to share with you some of the accomplishments of the challenging 2008 legislative session during which concerns about the economy and lower than expected revenue updates dominated the discussions and decisions of the Legislature. Within a short period of 60 days, we adopted a sensible supplemental operating budget that accounts for our changing fiscal realities and passed several key bills that reinforce our state's commitment to education, to a strong local economy, and to the health and well-being of our families and communities. This newsletter highlights these important budget and policy advances for you.

Still, one of my greatest disappointments in the session is the lack of legislative action on a long-term solution to support the preservation and cultivation of some of our most valuable public assets. Among these are a lively arts community, a distinctive civic center, as well as historically and culturally unique neighborhoods, all of which contribute to the rich and vibrant character of King County. I am looking forward to working with a newly established joint legislative task force to review and recommend potential financing options to the Legislature in order to protect and promote these critical community assets and amenities.

Thank you for the opportunity to represent you in Olympia. I welcome your feedback and thoughts on the accomplishments of the legislative session. Please stay in touch by calling or writing to me about the issues that concern you. I appreciate your continued interest and involvement in our democratic process.

Sincerely,

Sharon Tomiko Santos
State Representative
37th District



Rep. Sharon Tomiko Santos - 37th Legislative District

THE 2008 SUPPLEMENTAL BUDGET:

Funding vital programs, keeping a prudent reserve

The supplemental budget process involves adjusting state spending to respond to changes in revenue collections, in caseload numbers, and in state or federal policies since the enactment of the original budget. As you may recall from my earlier newsletter, the state's November economic forecast projected a \$130 million decrease in anticipated revenues for the current 2007-2009 biennium; in fact, by the March 2008 forecast, our revenues dropped \$423.4 million. Contributing to this budget challenge, higher costs and larger enrollments exceeded previously approved expenses by \$118.4 million.

These costs – described as “mandatory spending” – include:

- ✓ \$57 million to maintain program service levels for children, elderly, and disabled populations;
- ✓ \$39.1 million to fund cost-of-living adjustments for teachers as required by voter-approved Initiative 732; and
- ✓ \$21.4 million to offset federal cutbacks in Medicaid.

Other compulsory policy changes, such as new federal audit requirements, added an additional \$116 million to the 2008 supplemental budget.

Despite these significant cost increases, the Legislature made modest new investments in education, housing, public safety, mental health, and long-term care. We also identified some savings from unspent appropriations as well as by discontinuing ineffective programs such as *Promoting Academic Success*, which has not yielded the results sought by the state. The sum of these decisions is a pragmatic \$230.4 million supplemental operating budget for the remainder of the biennium. The Governor subsequently vetoed \$15.1 million from our proposal, leaving the state with a General Fund ending balance of \$404.9 million for the next supplemental budget.

In addition to this, the Legislature reserved \$445.7 million in the “Rainy Day Fund” to comply with the constitutional amendment adopted by the voters last fall. This account is accessible only for emergencies, during economic downturns, or by a three-fifths vote of the Legislature. Taken together, the set-aside in the Rainy Day fund and the ending fund balance represent less than 3% of the overall budget, a lean – but prudent – defense against future economic uncertainty.

To place this in context, financial planners generally advise the average family to put aside enough in savings to cover 3 to 6 months worth of expenses in case of catastrophic illness, unemployment, or other emergencies. This advice translates to 12.5% to 25% of annual household expenses.



Summary Balance Sheet for 2007 – 2009 Operating Budget

Enacted 2008 Supplemental Budget
(dollars in millions)

	GF-State	Rainy Day Fund*
Beginning Balances (July 2007)	\$780.5	\$295.3
Anticipated 2007-2009 Revenue	\$30,016.7	
November 2007 Forecast	(\$130.4)	(\$2.0)
February 2008 Forecast	(\$423.4)	
Updated Revenue	\$29,462.9	(\$2.0)
Transfers From Dedicated Accounts	\$140.8	
Transfers to Rainy Day Fund	(\$136.1)	\$136.1
Other Revenue adjustments	(\$5.0)	\$16.2
Total Available Resources	\$30,243.1	\$445.6
Enacted 2007-2009 Budget (April 2007)	(\$29,622.9)	
2008 Supplemental:	(\$215.3)	
Mandatory Spending		(\$118.4)
2008 Policy Changes		(\$112.0)
Governor Partial Vetoes		\$15.1
Updated Appropriations	(\$29,838.2)	
Projected End Balances (March 2008)	\$404.9	\$445.6

*The “Rainy Day Fund” beginning balance reflects appropriations made to the Emergency Reserve Fund in previous biennia. Upon voter approval of a constitutional amendment (ESSJR 8206), the Emergency Reserve Fund was eliminated and the balance was transferred to the Rainy Day Fund.



2008 End of Session Report

INVESTING IN EDUCATION

The Legislature made historic investments last year in our public education system, from early learning to K-12 and beyond. In 2008, we built upon this strong commitment to our children's futures with additional funding and a renewed focus on strategies to help all students achieve academic success. Our accomplishments include:

- Strengthening early childhood education programs with added flexibility, research, and support in preparing every youngster to do well in school;
- ✓ Sustaining early academic growth by maintaining our phase two funding commitment to all-day kindergarten;
- ✓ Improving academic assessments to accurately and fairly evaluate student learning through WASL re-design and with end-of-course exams;
- ✓ Helping struggling students remain on track for graduation by enhancing learning opportunities that target specific needs, skills, and subject areas;
- ✓ Working with parents and community leaders to develop strategies and recommendations to eliminate the achievement gap for students of color; and
- ✓ Expanding the Opportunities Scholarship program for college bound students as well as easing the transferability of earned credits from an associate degree program to a baccalaureate degree program.



INVESTING IN FAMILIES

From healthcare to housing, many Washington families are worried about how to provide for basic needs. While government has a responsibility to create a safety net for help in hard times, the state provides an equally vital service by delivering tools and resources necessary for families to achieve self-sufficiency. I am proud the Legislature moved forward with a balanced set of policies to address many of our basic household concerns despite the time constraints of a short, 60-day session. These include:

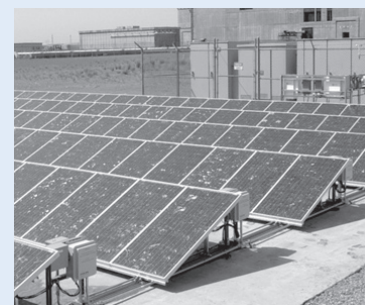
- ✓ Expanding affordable housing opportunities for owners, renters, and homeless families while enhancing regulatory protections, financial literacy and assistance programs for households at risk of foreclosure;
- ✓ Broadening access to the Basic Food Stamp program and establishing a Working Families Tax credit program to refund a portion of the state sales tax paid by eligible Washington residents;
- ✓ Increasing small business access to group health insurance plans for employees, supporting respite care and training for caregivers of elderly or disabled family members, and funding adult dental services through community health clinics; and
- ✓ Recognizing the rights of all families to receive fair and equal treatment in the administration of laws and public programs that affect our health, welfare, opportunities, and responsibilities.



INVESTING IN JOBS

Washington State currently enjoys a healthier economic outlook than most states across the nation. According to Forbes magazine, we led the country in personal income growth last year and ranked as the fifth most business-friendly state. Through Engrossed Second Substitute House Bill 2815, we intend to maintain our economic strength by building a framework for "green collar" jobs and industries to thrive in our state. Not only will this effort place us at the leading edge of the new economy, we will also be underscoring our environmental priorities and values.

Our goal, by 2010, is to triple the number of jobs in industries that conserve energy, reduce greenhouse gas emissions, and utilize renewable resources. State agencies will research this market sector to identify economic opportunities, analyze industry and labor needs, and develop recruitment and training strategies to facilitate the transition of Washington workers into these sustainable, good-paying jobs of the future. I incorporated a directive to investigate the participation of minority- and women-owned businesses in the "green" economy and to recommend specific actions to reduce barriers faced by these local entrepreneurs.



THE IMPACT OF INITIATIVE 960

By a narrow 51 % margin last fall, Washington State voters adopted Initiative 960 requiring tax measures to pass the Legislature by a 2/3 majority vote or to win statewide approval at the ballot box. The initiative further stipulates legislative approval of every new or increased agency fee. Tax and fee proposals now require the Office of Financial Management to prepare 10-year fiscal impact projections and to generate a series of press releases as the proposals move through the legislative process. When we began the 2008 session, we did not know how Initiative 960 would impact the work of Legislature.

In practical effect, the additional steps imposed by the initiative:

- ◆ Drove up costs by redirecting staff time and taxpayer dollars without regard to practice, use or benefit;
- ◆ Reduced government efficiency by diverting limited resources and public attention from other priorities; and
- ◆ Impaired the ability and agility of state agencies to respond to community desires and demands for services.

Tuition fee increases, lab and parking fees, and other similar user fees generally reflect the costs incurred for providing specific services. Licensing fees often advance policy benefits by ensuring appropriate regulation and oversight of industries, of professional practitioners, and of public health and safety. State agencies should have some independence to set these fees in accordance with public demand and with cost assessments. Instead, Initiative 960 elevates the decisions of administrative minutiae – such as increasing the “towel fee” at a public university – to the level of policy-making debate. No one – legislators, agency administrators, taxpayers, nor the public – benefits from this unnecessarily rigid process.

A lawsuit is pending before the state Supreme Court to overturn Initiative 960, but a decision is not likely before the 2009 legislative session.



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